

Fast Facts

July 1, 2005

Frequently Asked Questions *Senate Bill 618*

The South Carolina Retirement Systems frequently receives inquiries concerning legislation that affects the Retirement Systems and its members. Senate bill 618 (S.618), which was passed by the South Carolina General Assembly June 2, 2005, has numerous provisions that affect our membership. The following frequently asked questions and respective answers are based on the provisions of S.618 as passed by the General Assembly. S.618 was ratified by the General Assembly June 6, 2005, and signed by the Governor June 10, 2005. The South Carolina Retirement Systems will update this document as needed.



Is it true that retirees have to make employee contributions now?



Yes. Any retired member of the South Carolina Retirement System (SCRS) and/or Police Officers Retirement System (PORS) who either returns to covered employment or elects participation in the Teacher and Employee Retention Incentive (TERI) program (SCRS only) must make the active employee contribution for the duration of his or her covered employment and/or TERI period.



Why do retirees who return to work or participate in TERI have to contribute?



By making the employee contribution, retired members who return to covered employment and/or participate in the TERI program will be partially funding their future cost-of-living adjustments (COLAs). Granted COLAs benefit retirees for the rest of their lives.

In addition, SCRS and PORS members who return to covered employment are allowed to retain rights to their annuity while continuing to work. With many retirement plans, retired members must forfeit their right to an annuity for the duration of their covered employment. S.618 eliminated the \$50,000 annual

service retirement earnings limitation for a retired SCRS member who returns to covered employment. PORS members already have an unlimited service retirement earnings limitation.

S.618 also guarantees and pre-funds an up to 1 percent COLA for SCRS retirees. Any COLA in excess of 1 percent could be granted by the Budget and Control Board if funding requirements can still be met.

S.618 also includes a provision that makes retired SCRS and PORS members who return to covered employment and/or participate in the TERI program eligible for an increased group life insurance benefit similar to that provided for active members. S.618 provides that if a retired SCRS or PORS member who has returned to covered employment or is participating in the TERI program dies while employed by an employer covered by group life insurance and while making the active employee contribution, his or her beneficiary could receive a benefit equal to dollar amount of the retiree's annual salary. This benefit would be provided in lieu of the retired member group life insurance benefit of \$2,000, \$4,000, or \$6,000.

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Q What happens to a member who intended to elect TERI participation knowing that he or she would receive a 6 percent increase in salary from not making employee contributions?

A If the member decides to participate in the TERI program, he or she would have to make the active member contribution, which is now 6.25 percent.

For the duration of the member's TERI participation, the member's retirement annuity (which based on 28 years of service and the maximum payment plan is about 50 percent of a member's active employee compensation), would accumulate in the member's TERI account, providing the member with a substantial increase in "income."

Plus, a TERI participant is now eligible for an increased group life insurance benefit similar to that provided for active members. Of course, members also have the option to not elect TERI participation, or regular retirement, if doing so does not accommodate their financial needs.

Q Isn't there some other way to fund the system?

A There are limited ways to impact the funding of a pension plan. Among the available options are reducing benefits, increasing contributions, increasing investment returns, and achieving other actuarial gains. Both the Senate's SCRS Subcommittee and the House's Ad Hoc Retirement Committee carefully considered all available options. S.618 consists of what could be considered the most fair and equitable solution to securing the system's funding.

Both the Senate and the House scheduled public hearings through which interested parties presented their arguments as to what action should be taken and why. Among those testifying were representatives from the State Employees Association, the Retirement Systems Retirement and Pre-Retirement Advisory Board, and other similar organizations that advocate on behalf of our membership.

The consensus among those testifying was that the proposed changes were fair and equitable, and were publicly supported by these organizations. Obviously, not everyone will agree with their opinions; however, these advocates for our members let the General Assembly know that they agreed with the direction in which it ultimately took, and passed, S.618.

Q Will a member who begins TERI participation prior to July 1, 2005, still receive a second annual leave payout?

A A member whose TERI period begins before July 1, 2005, could be eligible for a second annual leave payout. Since retirement contributions were withheld from the first payment received for unused annual leave at the onset of your TERI period and the value of up to 45 days of unused annual leave was already included in your average final compensation, contributions will not be withheld on the second payment for your unused annual leave. Keep in mind that retirement contributions will be withheld from any salary earned prior to termination of your TERI period and employment.

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